



# CUBFacts<sub>Energy Efficiency</sub>

## Federal Incentives for Energy Efficiency

The federal government offers tax credits on select efficient upgrades and renewable energy systems to help you save on utility bills and protect the environment. The tax credit amounts recently increased, so be sure to review the information below and see if you qualify. You can also read about several types of energy efficient and renewable energy mortgages.

### Residential Energy Efficiency Tax Credit

You may qualify for this tax credit if you took steps to make your home more energy efficient between Jan. 1, 2009 and Dec. 31, 2010. Tax credits are available at 30 percent of the cost, up to \$1,500, for select windows and doors, insulation, roofs (metal and asphalt), HVAC equipment, water heaters, and biomass stoves. Homeowners can receive this credit up to the total amount spent on the equipment. This credit may also be used toward labor costs for assembly and original installation.

You can also claim a maximum of \$500 for all energy efficiency improvements you made in 2006 and 2007. Note that equipment purchased or installed during 2008 is not eligible for this credit.

You may qualify for these credits if:

- Your home is located in the United States;
- Your home is considered your primary residence;
- You improved your home's efficiency; or
- You purchased and installed energy efficient equipment for your home
- You plan to use the energy efficiency improvements or equipment for at least five years

Improvements made in 2009 will be claimed on your 2009 taxes (filed by April 15, 2010) — use IRS Tax Form 5695 (2009 version) — it will be available late 2009 or early 2010.

If you are building a new home, you can qualify for the tax credit for geothermal heat pumps, photovoltaics, solar water heaters, small wind systems and fuel cells, but not the tax credits for windows, doors, insulation, roofs, HVAC, or non-solar water heaters.

For more detailed information on qualifying products, visit the Energy Star® website: [www.energystar.gov](http://www.energystar.gov)

For further guidance, see Internal Revenue Service Notice (IRS) 2006-26. Note that IRS Tax Form 5695 (version 2009) will be available in late 2009 or early 2010.

### Residential Renewable Energy Tax Credit

Tax credits are available at 30 percent of the cost, with no upper limit through 2016 (for existing homes & new construction) for geothermal heat pumps, solar panels, solar water heaters, small wind energy systems, and fuel cells. Your expenses may include system assembly, labor costs for onsite preparation or original system installation, and the piping and wiring required to interconnect the system to your home.

Note that any subsidized energy financing you receive may not be included as expenditure under this tax credit.

If your federal tax credit exceeds tax liability, the amount in excess may be carried over to the following taxable year.

Your home may qualify if:

- It is located in the United States;
- It is used by you as a residence; and
- You install one of the qualifying systems listed below

## Fuel Efficient Vehicle Tax Credits

You may qualify for a federal income tax credit if you purchase a fuel efficient vehicle for personal or business use. The tax credit is calculated based on a formula which takes into account fuel economy, technology and vehicle weight compared to base year models.

Your vehicle may qualify if it is:

- Hybrid gasoline-electric
- Diesel
- Battery-electric
- Alternative fuel
- Fuel cell

For more information about fuel efficient vehicles, visit <http://fueleconomy.gov>.

For more information about these tax credits, visit:

- Hybrid vehicles: [http://fueleconomy.gov/feg/tax\\_hybrid.shtml](http://fueleconomy.gov/feg/tax_hybrid.shtml)
- Diesel: <http://www.fueleconomy.gov/feg/taxLeanburn.shtml>
- Alternative Fuel Vehicles: [http://www.fueleconomy.gov/feg/tax\\_afv.shtml](http://www.fueleconomy.gov/feg/tax_afv.shtml)
- Electric Vehicles: [http://www.fueleconomy.gov/feg/tax\\_EV.shtml](http://www.fueleconomy.gov/feg/tax_EV.shtml)

## Energy Efficient and Renewable Energy Mortgages

If you made your current home more energy efficient, built a new energy efficient home, or installed renewable energy technology, such as solar, wind, and/or geothermal in your home, you may qualify for a larger mortgage loan.

There are three types of energy efficient mortgages available:

- 1) Conventional energy efficient mortgages are available through private lenders who sell their loans to Fannie Mae and Freddie Mac. The lender is allowed to increase your mortgage loan by an amount equal to your home's estimated energy savings. If you get an energy efficient mortgage through Fannie Mae, your home's value will be adjusted to reflect the value of the energy efficient measures.
- 2) Federal Housing Authority (FHA) energy efficient mortgages are available for manufactured and site-built homes through an FHA-approved lending institution. You must meet the income requirements for FHA Section 203(b) to qualify for this type of mortgage. Your loan may not be greater than the savings projected for the energy efficiency improvements made, and the loan may be insured for up to 5 percent of your home's appraised value. This mortgage may be combined with other types of FHA mortgages.

Your home may qualify if:

- It is owner-occupied;
- It is a new home;
- It an existing home; or
- It has up to two units

Limits on FHA mortgages vary depending on where you live and whether there is more one unit in the residence, and regular FHA loan limits do not apply to an energy efficient mortgage.

- To apply, visit your local Department of Housing and Urban Development (HUD) Field Office through an FHA-approved lending institution, or apply online at [www.fha.com/energy\\_efficient.cfm](http://www.fha.com/energy_efficient.cfm)
- For more information from FHA, visit [www.fha.com/lending\\_limits.cfm](http://www.fha.com/lending_limits.cfm)
- For more information from HUD, visit [www.hud.gov/offices/hsg/sfg/eem/energy-r-cfm](http://www.hud.gov/offices/hsg/sfg/eem/energy-r-cfm), or call the Office of Single Family Housing at 800-569-4287

Energy Star® manufactured homes are also eligible for an FHA energy efficient mortgage. For more information, visit the Manufactured Housing Research Alliance at [http://www.mhrahome.org/pages/es\\_lender.htm](http://www.mhrahome.org/pages/es_lender.htm)

The federal government insures an FHA or VA mortgage, and lenders are secured against default.

3) Department of Veterans Affairs (VA) energy efficient mortgages are available to veterans, reservists, and other qualified military personnel who purchase an existing home or refinance. Energy improvements are capped at \$3,000 to \$6,000, or more at the VA's discretion. Note that you may not include the cost of your own labor in the total amount. If you are interested in this loan, you should obtain a certificate of eligibility from a local lending office and submit it to a private lender approved by the VA.

- For more information, call the VA at 800-827-1000 or visit <http://www.homeloans.va.gov/rlcweb.htm>

The federal government insures an FHA or VA mortgage, and lenders are secured against default.

**For more information on these programs:**

Public Information, Internal Revenue Service

1111 Constitution Avenue, N.W.

Washington, D.C. 20224

Ph: 800-829-1040

<http://www.irs.gov>

*If you have any additional questions about these programs, please call CUB, 1-800-669-5556, and ask for Rebecca Devens, environmental programs coordinator, or Celia Christensen, environmental outreach coordinator.*

*CUB works hard to maintain the accuracy and timeliness of this information, but programs often change and/or run out of money. CUB is not responsible for the administration of any of the programs described in this fact sheet. If you are having trouble applying for or receiving benefits from any of the programs described above, please contact the administrator of that program. Please notify CUB if you find any inaccuracies here.*